

# THE AGRICULTURAL SITUATION

AUGUST 1946

## A Brief Summary of Economic Conditions

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## Million Veterans on Farms of U. S.

SINCE VJ-day, the return of World War II veterans to farms and of temporary workers in war industries, has brought important changes in the Nation's farm population. By June 1946, roughly 1 million veterans were on farms, in addition to returned industrial workers. As these developments are an important part of the Nation's immediate postwar transition to peace, the situation is now at the point where stock-taking is possible.

Since August 1945, more than 10 million veterans of World War II have been discharged from the armed services. Many other millions of people have moved from wartime locations to their prewar or other locations. Reconversion of plants producing war goods led quickly to a reduction in the number of workers employed. At the same time, expan-

sion in manufacture of civilian goods, construction, trade, and services more than offset the loss of employment in munitions. Total nonagricultural employment dropped by about 2 million workers from August to September 1945. However, by June 1946 it had climbed to a level of nearly 47 million workers, 2 million more than when the war ended. Unemployment, which rose from somewhat less than a million in August 1945 to 2.7 million in March 1946, has been decreasing since then, except for seasonal changes.

The total labor force, including people in the armed forces in addition to the employed and unemployed, decreased 4 million from August 1945 to June 1946. More than half of this decrease was caused by the withdrawal of women from the labor force.

For agriculture and the farm popula-

tion, the most important of these developments has been the return of World War II veterans to farming. Almost a million discharged veterans were working on farms by June 1946, and a substantially larger number were living on farms. Veterans working in agriculture totaled two-thirds as many men as had left farm work for the armed services during the war. Ten months after VJ-day, there were about four-fifths as many discharged veterans of World War II as the total number of persons who had served in the armed forces at some time since 1940.

In the fall of 1945 and in early 1946, large numbers of recently discharged veterans were neither at work nor looking for work. In farming areas, where the need for workers slackens in midwinter, many returning veterans rested a few weeks or months before starting to work. In January 1946, considerably less than half of the veterans who had returned to live on farms were employed in farm work. More of them have begun working, however, as the need for labor on farms increased during the spring and summer, although many living on farms have taken nonfarm jobs. Figures are not available for the farm population separately, but among all discharged veterans the Bureau of the Census reported that seven out of eight were either at work or looking for work by June 1946.

In total, about 3 million workers in war industries were laid off at least temporarily during the first few months after VJ-day. A study by the Bureau of Labor Statistics covering 2,000 workers who formerly worked in war plants showed that only 3 percent of them were working on farms 6 months after VJ-day, although 13 percent had usually engaged in farming before the war. Of the workers who left war industry areas, less than half returned to the places where they were living before the war.

Reports are available on some groups of former war workers for later dates in 1946. For example, of those who

had been employed at the Nebraska Defense Corporation Plant in May 1945, more than a fourth were unemployed in March 1946. But of the workers in this plant who engaged in farming before the war, only 10 percent had returned to the land. The employment and wages of the 2,000 workers employed in war industries in a number of cities in the country is being traced for a period of years, to illustrate the impact of reconversion and later developments on workers.

Demobilization and reconversion have affected both the number and composition of the farm population. Farm population experienced a net increase during 1945, for the first year since 1933. In January 1946, the number of people on farms showed an increase from the previous year of 540,000 males 14 years old and over, owing largely to the return of veterans. However, the full effects of postwar migration of industrial workers could not be observed at that early date.

Migration both from and to farms was very heavy in the months following VJ-day. In addition to some returning war workers, many other people have moved to farms since the end of the war who had not been living on farms just before the war began. Crowded housing conditions in cities and the greater availability of gasoline and tires for commuting have been factors in the increased movement to farms. Families who move to farms just to get some place to live, or perhaps a better place, do increase the total population living on farms. However, they may not increase the number of persons working on farms, as they may not be available for agricultural employment.

By July 1, of this year, 11,586,000 persons were working on farms in the United States, nearly a half million more than at the same time in 1945. This represented at least a temporary halt to the wartime decrease in agricultural employment, which averaged about 150,000 a year between 1940 and 1945. The average decrease from

1910-14 to 1935-39 had been only about 45,000 a year.

All of the increase in agricultural employment which took place in the year preceding July 1, 1946, was among male workers. As about 800,000 more veterans were working on farms than a year earlier, it appears that they replaced some 300,000 other farm workers, many of them less able-bodied, besides providing a net increase of 500,000 to the farm working force. Thus the composition of the working force was materially strengthened. Other factors affecting this composition included the departure of 71,000 prisoners of war who had worked on farms in the latter part of June 1945 and the fact that there were 20,000 fewer foreign nationals on farms than a year earlier.

The increase in the number of veterans working on farms may have especially important effects on the composition of the *hired* farm working force. Surveys have shown that World War II veterans make up a larger percentage of hired workers than of family workers on farms. During the war many more women, youths and older persons did hired farm work than in prewar years. The extent to which high-school-age boys and girls were used for hired farm work during wartime is indicated by the fact that one-fifth of all persons who worked on farms for wages in 1945 were 14 to 17 years of age. In contrast, boys and girls 14 to 17 made up only 8 percent of nonagricultural wage and salary workers in July 1945, according to unpublished estimates of the Bureau of the Census.

With the continuation of Selective Service and with the peacetime Army and Navy larger than in prewar years, some return of men from the armed forces to farm work will continue. However, their return will be at a much slower rate than in the last year, as the period of rapid demobilization is past. Further increases in employment of veterans on farms are not likely to be large, as long as nonfarm

### COLOR IS CLUE

WHEN Dr. V. F. Tapke, USDA plant pathologist, noticed that some of his barleys produced loose smut heads darker than usual, he was on the way to helping save millions of bushels of barley. The darker shade was caused by a new loose smut fungus. Unlike the long-known loose smut for which there is no practical control through seed treatment, the new smut is controlled easily by this means.

He found the new loose smut is responsible for about half of the Nation's loss of 2 million bushels of barley annually from loose smut. As a result of this work, American farmers now find it possible to save a million bushels of barley yearly.

employment opportunities are good. A large majority of the migration incident to industrial reconversion is also finished. Thus the major population shifts that were immediately occasioned by the ending of the war had taken place by the first anniversary of VJ-day.

The primary impact of the war upon the farm population and working force was to accelerate the decline in numbers that was already under way. This decline had been manifest for a long time, although it had slowed up during the depression. The year after the end of the war temporarily reversed the long-time trend, although it did not restore the size of the farm population to its prewar levels.

The past 6 years of rather spectacular changes in the farm population may be followed by a lull, as peacetime readjustments are established. On the other hand, the American people may not settle down easily.

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# Commodity Reviews

## WHEAT

**D**OMESTIC wheat supplies in 1946-47 are now indicated at 1,233 million bushels, consisting of a carry-over of old wheat of 101 million bushels and an indicated crop of 1,132 million bushels. While a crop of this size would be the largest on record—9 million bushels above 1945 production—the carry-over is the smallest since 1937. As a result, total supplies are below each of the past 5 years, although over a fourth above the 1932-41 prewar average.

With farmers making this indicated increase in the size of the crop, the wheat situation will be greatly eased. In view of the world food situation, however, a decision as to the removal of wheat controls will be made only after more definite indications are available on needs in importing countries, the crop in other exporting countries, and the outcome of our own corn crop.

Wheat disappearance in 1945-46 was the largest in our history. Outstanding factors in this disappearance were record exports of wheat and flour, including shipments to United States possessions. These exports are estimated to have reached 386 million bushels. The quantity of wheat fed also was large, second only to that of 1943-44.

Wheat prices advanced after the lapse of price controls. Then, as crop prospects continued to improve, they declined to about old ceiling levels.

A national wheat goal of 71.7 million seeded acres for next year was announced on June 28. This would be the largest acreage since 1938. The 1947 goal compares with 71.1 million acres seeded for the 1946 crop, and with 68.8 million acres seeded

for the 1945 crop. The goal indicates the high estimate of requirements during 1947-48 for food, feed, seed, and exports.

Exports from each of the four principal exporting countries in 1945-46 total an estimated 864 million bushels—a record movement. While this was far short of the estimated need of 1.2 billion bushels, generally reduced rations and the use of other grains, prevented widespread starvation. For the year ahead, the food situation is dependent on the size of the new crops. A year ago, large reserves still existed in exporting countries, but these have now been exhausted. On the basis of present prospects, exporting countries will fall short of being able to provide anywhere near the quantities exported last year. World production (excluding the Soviet Union and China), is expected to be 8 to 10 percent above that in 1945, on the basis of very early indications. Prospects in Europe are for a crop better than the very poor ones in 1945 and 1942, although still not up to other recent years and not up to the prewar average. In Soviet Russia, prospects for total grain production are fairly favorable on an increased acreage, although acreage and yield are not likely to reach prewar levels. The condition of both spring and winter wheat in Canada at the end of June, expressed as a percentage of the long-time average yield per acre, was 122 percent compared with 101 for spring wheat and 97 for winter wheat a year ago. On the basis of increased acreage and more favorable early season conditions, crop prospects in Argentina and Australia should exceed the reduced crops of last year and may reach prewar levels of production.

## FEED GRAINS

**A**BOUT four-fifths of the United States farmers' record corn crop this year, now forecast at 3.5 billion bushels, will come from hybrid seed. Two out of every three acres of corn in the United States this year are in hybrids. In contrast, when hybrid corn acreage was first estimated in 1933, it amounted to only 1 acre in a thousand. The rate of increase is now tapering off as many important corn-producing areas are approaching the 100-percent mark. Iowa is the first State to report 100 percent of its corn acreage in hybrids.

The 93 million acres of corn planted this year is about equal to last year, but prospects of smaller abandonment and higher yields point to a bigger crop. The 20-percent higher yields of hybrid corn, compared with those of the open-pollinated types, will contribute heavily to this year's production.

Seven-eighths of the Nation's hybrid corn acreage is in the North Central States. But work is under way on the development of hybrids suitable for other regions—the South and the irrigated corn fields of the West, and for the northern and northeastern areas where corn is used principally for silage. Meanwhile, these farmers are waiting anxiously.

Farm stocks of corn, as reported on July 1, were the smallest for this date in the past 9 years. Stocks held on July 1 were estimated at 515,341,000 bushels for the country as a whole, 30 percent below a year ago and 14 percent less than average. Although larger than last year in the North Atlantic and South Atlantic States, farm stocks in the North Central States were only two-thirds as large as last year.

**Oats.**—Near record production is still the prospect for oats. Production this year is forecast at nearly 1.5 billion bushels, 30 percent above the

### Prices of Farm Products

[Estimates of average prices received by farmers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and State]

Commodity	5-year average		June 15, 1945	May 15, 1946	June 15, 1946	Parity price June 15, 1946
	August 1909-July 1914	January 1935-December 1939				
Wheat (bushel).....dollars..	0.884	0.837	1.46	1.74	1.87	1.76
Rice (bushel).....do.....	.813	.742	<sup>1</sup> 1.81	1.85	1.86	1.62
Corn (bushel).....do.....	.642	.691	1.12	1.42	1.96	1.28
Oats (bushel).....do.....	.399	.340	.659	.809	.847	.794
Hay (ton).....do.....	11.87	8.87	15.40	14.70	15.00	23.60
Cotton (pound).....cents..	12.4	10.34	21.25	25.98	30.83	24.68
Soybeans (bushel).....dollars..	<sup>2</sup> .96	.954	2.16	2.17	2.31	<sup>2</sup> 1.91
Peanuts (pound).....cents..	4.8	3.55	8.13	8.83	8.97	9.55
Potatoes (bushel).....dollars..	.697	.717	<sup>1</sup> 1.82	1.47	1.48	1.47
Apples (bushel).....do.....	.96	.90	2.95	3.69	3.42	1.91
Oranges on tree, per box.....do..	<sup>4</sup> 1.81	1.11	2.90	3.22	3.62	2.37
Hogs (hundredweight).....do.....	7.27	8.38	<sup>1</sup> 14.10	14.30	16.80	14.50
Beef cattle (hundredweight).....do..	5.42	6.56	<sup>1</sup> 13.00	14.10	16.60	10.80
Veal calves (hundredweight).....do..	6.75	7.80	<sup>1</sup> 13.90	14.80	16.60	13.40
Lambs (hundredweight).....do.....	5.88	7.79	<sup>1</sup> 13.40	14.30	15.90	11.70
Butterfat (pound) <sup>5</sup> .....cents..	26.3	29.1	<sup>1</sup> 50.3	52.1	70.6	<sup>6</sup> 48.8
Milk, whole-ale (100-pound) <sup>5</sup> .....dollars..	1.60	1.81	3.09	3.39	<sup>7</sup> 3.83	<sup>6</sup> 2.96
Chickens (pound).....cents..	11.4	14.9	28.5	26.6	29.4	22.7
Eggs (dozen).....do.....	21.5	21.7	37.9	33.5	37.1	<sup>6</sup> 41.1
Wool (pound).....do.....	18.3	23.8	42.2	41.9	42.3	36.4

<sup>1</sup> Revised.

<sup>2</sup> Comparable base price, August 1909-July 1914.

<sup>3</sup> Comparable price computed under section 3 (b) Price Control Act.

<sup>4</sup> Comparable base price, August 1919-July 1929.

<sup>5</sup> Does not include dairy production payments made directly to farmers by county PMA offices October 1943 to June 1946.

<sup>6</sup> Adjusted for seasonality.

<sup>7</sup> Preliminary.



**10-year average.** Early favorable seeding weather and the tight feed situation encouraged farmers to seed a larger acreage than in 1945. The estimated 43,012,000 acres for harvest is almost 4 percent above 1945 and has been exceeded only in 1921 and 1925. Yields this year are forecast at 34.2 bushels per acre, compared with 37.3 bushels in 1945 and the average of 30.7 bushels.

This is the seventh consecutive year in which the oats acreage of the United States has increased.

Factors contributing to the increased acreage in the North Central States, where 76 percent of the total national acreage is grown, include the tight feed situation, early spring and good sowing weather, increased use of improved and rust-resistant varieties, and the comparatively light labor requirements for producing oats.

Farm stocks on July 1 were estimated at 277,973,000 bushels, the largest on record for the date. They were 56 percent above the 10-year average and 33 percent above last year. Disappearance of oats from farms from April 1 to July 1 was 300,595,000 bushels, a record high.

**Barley.**—Prospective barley production this year is now estimated at 230,278,000 bushels, 13 percent below last year and 20 percent below average. Prospective yields of 22.9 bushels per acre are about average. The biggest barley acreage ever seeded was in 1942. Since then other crops have offered better income possibilities, resulting in a steady decline in barley acreage. Estimated acreage for harvest as grain this year is 10,061,000 acres, 1 percent below last year and a fifth below average.

Farm stocks of old crop barley on July 1 are estimated to have dwindled to 38,700,000 bushels, the lowest July 1 reserves since 1938.

## DAIRY PRODUCTS

**C**ONTINUED strong demand for dairy products is assured for the rest of this year. With production

of milk on farms declining seasonally, unit returns to dairymen in the remainder of 1946 are practically certain to average higher than a year earlier. The proportion of unit returns that may be made up by production payments will depend on policies still to be worked out as to price ceilings and subsidy payments. Feed prices now are higher than last year and dairy products-feed price ratios for the last 4 months of 1946 will depend on Government policy on price ceilings, as well as on crop outturn.

The effects on milk production of the short concentrate feed supply was offset by excellent pasture conditions to July 1. As a result, farmers were enabled to maintain a record flow of milk per cow. In the first 6 months of the year, milk output totaled 62.2 billion pounds, compared with 63.5 billion pounds a year earlier, a reduction of 2 percent. The number of milk cows on farms has continued less than a year earlier. Most factors are favorable for a continued near-record flow of milk this year.

When price controls lapsed on June 30, the demand for butter greatly exceeded the supply at retail. Butter price increases led the advances among dairy products. At mid-July the wholesale price of butter in New York was 74 cents per pound, compared with 57 cents at the end of June and 47 cents in mid-June before ceilings were increased. In the third week of July butter prices declined slightly, then increased again. Prices for other manufactured whole milk products also increased, but in the first 2 weeks of July advanced less than butter. Prices of fluid milk in eastern areas and in the West increased substantially within a few days after the lapse of the Price Control Act. These increases acted largely as an offset to the suspension of subsidy payments. In most mid-western markets, where different pricing formulas are employed and subsidies were less, the increases were less pronounced.

## FOOD SUPPLIES

**T**HE Nation's food supplies for the rest of this year will be slightly larger than in the first half, owing to seasonal increases in fruits and vegetables and some other foods. In general, the food supply situation will be much the same as it was last year after VJ-day. There may be somewhat less of some foods such as chicken and sweet-potatoes.

Although food prices are shifting uncertainly at this time, some changes in the distribution of food supplies, both geographically and among income groups, are indicated for the coming months.

The expected food supplies for domestic consumption will be sufficient to maintain consumer diets in 1946 at the high level attained during the war. Especially important here will be the plentiful supplies of fruits and vegetables and fluid milk, and continued enrichment of grain products.

Until late in this fall, meat supplies will be larger than a year ago. Large numbers of livestock are now being marketed. By October, however, lower production of beef and lamb than in 1945 and possible larger Government purchases to fill export commitments may bring civilian supplies below the near record level of last winter.

Fresh and frozen fish will be plentiful during the rest of 1946. More canned fish will be available as the new pack comes in, although less than prewar.

Egg supplies will be relatively large during the next 5 or 6 months. Per capita supplies of milk in all forms will be seasonally smaller in the remaining months of 1946. If retail prices of fluid milk continue to rise, fluid milk consumption could be expected to decrease.

No significant improvement in civilian supplies of food fats are in prospect for this year. Butter production is declining seasonally and large exports of lard are planned.

## TOBACCO VOTE

**N**INETY-SEVEN percent of the flue-cured tobacco growers voting in the July 12 referendum favored marketing quotas for the 3 years 1947, 1948, and 1949, according to preliminary results announced by the Department of Agriculture.

Of the 230,077 votes tabulated in the referendum, 223,359 growers, or 97.1 percent, favored marketing quotas for the 3 years. An additional 2,796, or 1.2 percent, favored quotas for 1947 only and 3,922, or 1.7 percent, were opposed to any quota.

Supplies of fresh fruit and vegetables during the balance of the season will be large. Supplies of canned vegetables will continue plentiful and more canned fruit will be available than a year earlier. The pack this year may be substantially larger than in 1945, and civilians will get a larger share of it.

Little change is expected in over-all sugar supplies for the balance of the year, although distribution over the country may be uneven.

Some improvement in domestic supply of cereal products is expected under present restrictions upon use of grains.

## POULTRY AND EGGS

**E**GG producers probably will start 1947 with 6 to 10 percent less layers than in the beginning of 1946. The tight feed situation caused heavier culling of layers during the spring and a sharp decrease in the number of chickens raised. Farmers in 1946 raised about 18 percent less chickens for flock replacement purposes than last year.

Poultry operations are not expected to be as profitable during the next few months as in the corresponding months of 1945. Egg prices probably will be lower than last year and feed

prices higher. Supplies of eggs will be greater than last year, although production will be somewhat less. The reduction from last year in Army buying and larger storage stocks will more than offset the lower production.

Farmers are producing about 15 percent less turkeys than in 1945. Prices for the 1946 marketing season probably will average about as high as in 1945. Prices for chicken meat during the next few months probably will show little change from present levels because of the record cold-storage holdings. However, by the fourth quarter of 1946 marketings will be substantially reduced, and increases in prices probably will occur.

### VEGETABLES

**W**ITH this year more than half gone, it is clear that total vegetable production has more than caught

up to the unprecedented high level of postwar peacetime demand. Record-large quantities of truck crops for summer-season marketing are bringing prices substantially below last year and sometimes lower than during any of the war years. Potatoes are moving generally at support levels.

Farmers have just worked out from under the early commercial potato crop—by far the largest of record—with the help of huge price-supporting purchases by the Government. The intermediate and the late potato crops are estimated to be only moderately larger than average, but retail stores are well stocked with many fresh vegetables.

Record-large commercial crops of cantaloups, honeydew melons, water-melons, tomatoes, cucumbers, lettuce, and spinach have been produced for shipment this summer.

## Fats And Oils

**P**RICES of domestic fats and oils increased rapidly after the lapse of price ceilings at the end of June. In the 3 weeks of July, prime steam lard in tierces, Chicago, advanced from 14.05 cents per pound to 24 cents per pound, an increase of 71 percent. Wholesale butter prices at Chicago on July 22 were 66.5 to 67 cents per pound, 18 percent above the June 30 ceiling of 56.5 cents. Prices of inedible tallows and white grease at Chicago advanced about 3.5 cents or 40 percent. Linseed-oil prices at New York were up over 3 cents per pound from the ceiling level of 15.5 cents. Cottonseed oil at New York advanced nearly 3.5 cents to 17.75 cents per pound before trading was suspended July 10. On the basis of these advances, the index number of 8 domestic fats and oils was about 40 percent higher than in June and the highest since early 1920.

Flaxseed prices also increased in July. On July 20, the price of No. 1 flaxseed at Minneapolis was \$3.80 per bushel compared with the ceiling June

\*30 of \$3.35 per bushel and the announced support for 1946-crop seed of \$3.60 per bushel. Trading in other oilseeds was slight. Prices of shelled peanuts remained at the old ceiling levels. No open-market prices were quoted for soybeans or cottonseed.

Present prospects do not indicate any material improvement in coming months in supplies of fats and oils for United States consumers. Butter production may decline less than seasonally this fall, if consumption of fluid milk and cream is reduced by recent price increases. Lard output this summer and fall will be larger than a year earlier, but export commitments also are larger, and stocks are low. In the first half of 1947, output of lard, linseed oil, and edible vegetable oils is expected to be smaller than a year earlier. Production of butter and imports of copra, however, probably will be larger than in the export demand for oils and fats are first half of 1946.



## Scrambled Eggs From America

**SCRAMBLED** eggs from the farms of America fed millions of hungry people during the war. From the South Pacific to the Arctic, soldiers and sailors of many Nations ate our scrambled eggs. So did hungry civilians.

Most of these eggs left the States as dried whole egg. But when eaten, 9 times out of 10, they were scrambled eggs, American brand. Depending on a number of things, sometimes they tasted good and sometimes not. But they were nourishing in places where nourishment counted most.

To supply the world-wide wartime demand, production of dried egg in the United States ballooned upward, beginning in April 1941 when the lend-lease program was announced. Production in 1941 rose to 45,280,000 pounds, 6 times the 1940 output and 4½ times the previous high record of 1939. By 1944, the peak year, production was 320,742,000 pounds—more than 40 times the 1940 production. For the period 1941–45, production of dried egg in the country totaled about 970,000,000 pounds. That amount is roughly equivalent to 97,000,000 cases of eggs, or 13 percent of the Nation's total egg production for the 5 years.

This large-scale production was explained by the great advantages of dried egg as a wartime food. Dried whole egg is a highly concentrated food, requiring little shipping space in proportion to food value. Also, because it is in powdered form, dried egg can be kept in airtight containers and held for a relatively long time without refrigeration.

With shipping space and refrigeration at a premium, these advantages were recognized early and expansion of processing facilities was begun. Before 1941, the Nation had about 16 egg-drying plants, which operated more or less regularly. Production

was concentrated largely in Texas. Most of the peacetime production came during the 5 months of heaviest shell-egg production, February through June each year. Shortly after the Department of Agriculture announced its program for purchase of dried egg in April 1941, additional drying plants were planned and by the fall of 1941 many of these were in full operation. Production rose to 235,649,000 pounds in 1942, to 261,972,000 in 1943, and to the wartime top in 1944. With the cessation of hostilities in 1945, production for the year dropped to 105,862,000 pounds. The Nation's egg-drying plants by that time had increased to a total of 107. Together, these plants then were geared to produce more than 400,000,000 pounds of dried egg annually.

Most of the new egg-drying plants were established in the large egg-surplus-producing States of Illinois, Indiana, Wisconsin, Minnesota, Iowa, Kansas, Missouri, Nebraska, Texas, and Oklahoma. At the close of the war, 81 percent of the total capacity of all of the egg-drying plants in the country was in those 10 States. To take care of the increased demand for eggs for drying, egg production during the war rose rapidly in all States. Egg-drying plants were established in a number of States that normally bought eggs from outside or that normally produced few surplus eggs. These States included Alabama, Arkansas, Colorado, Kentucky, Michigan, Mississippi, North Carolina, North and South Dakota, New Mexico, Ohio, and Pennsylvania.

Along with these developments, of course, went a great increase in farm production of eggs. The production of eggs on farms rose from 39,585,000,000 eggs in 1940 to 57,930,000,000 in 1945, the largest production of record.

At the close of the war, Texas led all other States in total egg-drying capacity. Other States leading in egg-drying capacity were Iowa, Missouri, Wisconsin, Minnesota, Illinois, Kansas, Indiana, Nebraska, and Oklahoma, in the order named.

Large quantities of eggs had to be stored during the season of flush shell egg production in the spring, in order to obtain the wartime quantities of liquid egg needed for drying during the months of light egg production. During 1942 through 1945, some 576,411,000 pounds of frozen liquid egg and 353,305,000 pounds of liquid egg from storage shell eggs were used for drying.

Approximately 767,364,000 pounds of dried egg were shipped by the Department of Agriculture under lend-lease during the period 1941-

1945. This total was equivalent to 2,762,510,000 dozens of shell eggs.

With the termination of the lend-lease program in 1945, the Government contemplated no purchases of dried egg in 1946 for its own use, unless it became necessary to support egg prices. Egg-drying operations in 1946, it was felt, would drop to near peacetime operations. However, general food shortages throughout Europe soon changed this picture. Foreign countries, particularly England and France, began placing orders early in 1946 with the Department of Agriculture for dried egg. Purchases by the Department for shipment abroad from the first of this year to June 25 have totalled 62,257,000 pounds.

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## Cotton Farmers Hold Acreage Down

**A**LTHOUGH cotton prices this spring were 2.5 to 3.5 cents higher than a year earlier, cotton acreage in cultivation on July 1 in this country was only 3 percent larger than a year earlier. Farmers have held down their cotton acreage this year, despite the price rise. Favorable prices for competing crops are partly responsible for this, as are the increased costs of farm labor, unfavorable weather at planting time in much of the Cotton Belt, and machinery shortages.

If domestic production this year is not greatly different from that in 1945, supplies in the U. S. for the 1946-47 season will be much lower than in recent years. As the United States carry-over on August 1, 1946, is estimated at 7.6 million bales, the actual level of supplies in this country may be the lowest since 1929.

An important development in recent years is the changed relationship

between exports and domestic mill consumption, which together make up disappearance. Exports in the 1945-46 season totaled about 3.5 million bales, whereas they averaged about 5.3 million bales annually during the 1935-39 period. On the other hand, domestic demand has been strong. Mill consumption totaled over 9.2 million bales last year, compared with an annual average of 6.9 million bales in 1935-39. Mill consumption during the 1946-47 season will probably be large, although somewhat below the current rate. Exports in the next 12 months are not expected to equal those of the season just past. Nevertheless, a further sizable reduction in United States stocks of American cotton will occur. Thus, in view of prospective foreign and domestic demand, the size of domestic supplies of United States cotton indicates a favorable marketing year for cotton producers.

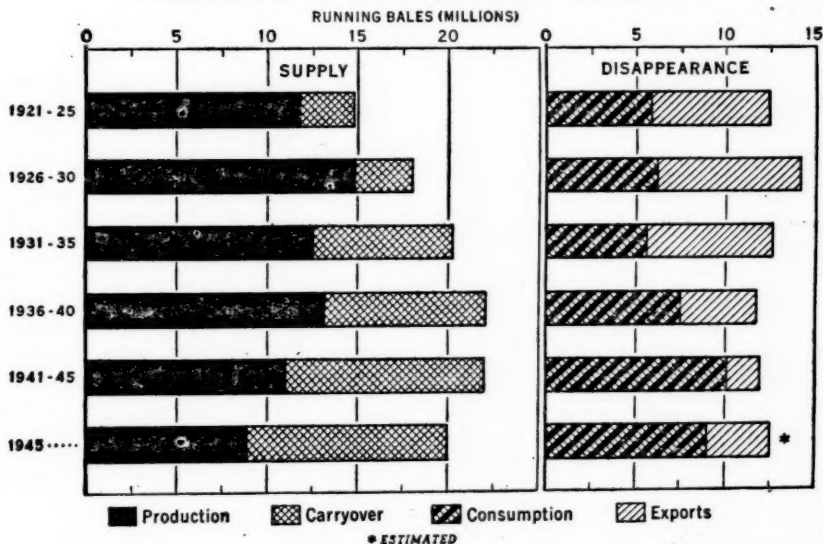
Farmers received a weighted average of 22.4 cents a pound for the part of the 1945 crop that they marketed before March 15, 1946, a level only a little above a year earlier. After March 15, the price of middling  $1\frac{5}{8}$  inch cotton at the 10 spot markets advanced to 35.72 cents a pound on July 19. The sharp rise was apparently attributable to: (1) The relaxation of price controls; (2) the July 8 Cotton Crop Report of the Department of Agriculture which showed 18.3 million acres of cotton in cultivation July 1, considerably less than had been anticipated in trade reports; (3) the high rate of domestic consumption and the largest exports in several years, (4) recent increases in prices paid by farmers for the things they buy; and (5) the improved relationship between cotton supply and demand.

The spread between the price of  $1\frac{5}{8}$ -inch cotton at New Orleans and the price of type 5 at Sao Paulo, Brazil, as reported by the Office of Foreign Agricultural Relations, narrowed about 4

cents from February 1946 to the latter part of June. The smallest spread since February 1946 occurred in the week of June 7. The narrowing at that time was caused by price increases for Brazilian cotton. These increases resulted from actions of the Brazilian Government which forced railroads to move commodities other than cotton. Since that time the spread has widened somewhat. Brazil has an export tax on cotton of about three-fourths cent per pound. This tax, along with the 4-cent export payment on American cotton, establishes a 4 $\frac{3}{4}$  cents differential between domestic prices in the two countries. The general narrowing of the spread which has occurred since then probably results from reappraisal of the long-time cotton situation.

About one-fifth of Japan's prewar cotton textile manufacturing capacity and about one-third of her rayon production capacity still exist. It is estimated that about 70 to 80 percent of the 12.3 million spindles that Japan

AMERICAN COTTON IN THE UNITED STATES: SUPPLY AND DISAPPEARANCE, AVERAGES FOR 5-YEAR PERIODS, 1921-45, AND 1945



had in 1939 were destroyed during the war. However, it is believed that four of Japan's principal textile machinery manufacturers, who represent 75-85 percent of this industry have the capacity to produce about 800,000 spindles and some 16,000 to 17,000 looms next year. These totals are in addition to what they will produce in 1946. Under special arrangements made by the Commodity Credit Corporation, about 900,000 bales of cotton will be shipped to Japan this summer and fall.

Japan's potential rayon production capacity at the end of the war was estimated at 354 million pounds. Present material shortages have reduced production to only 13 million pounds, the equivalent of 31,000 bales of cotton. It is estimated that only about 118 million of the 234 million pounds of staple fiber in the total capacity could be spun on existing machinery. In 1938, Japanese rayon production was the equivalent of about 1½ million bales of cotton.

Besides destroying the textile machinery, the war almost completely wrecked the Japanese economy. Japan, therefore, now lacks the means of making goods to exchange for cotton and other materials. The Commodity Credit Corporation arrangement for exporting cotton to Japan is solving this problem with respect to raw cotton imports, at least. Prior to the war, the rapidly expanding Japanese textile industry, which had supplanted a substantial part of Britain's textile industry, was one of the most competitive in the world. Its strength was based on efficient management of a large low-paid labor force. The labor force still exists, and the management is likely to be redeveloped after a time.

World consumption of cotton during the 1946-47 season probably will materially exceed the production of this year. Consequently, world stocks will be substantially reduced by the fall of 1947. By that time, the world supply

situation may be tight with respect to good quality cotton. Though present world stocks are adequate, world production of cotton and substitute fibers will have to be expanded during the next few years if these stocks are not to be reduced below minimum requirements.

The higher prices that have developed for American-type cotton produced at various locations in the world favor an expansion of world cotton production in the next year or so. Further, an easing of the tight world supply situation for food and farm machinery will make more land, labor, and machinery available for cotton production.

World production of synthetics will tend to be held down by the wartime disruption of rayon production in Germany, Japan, and Italy. These countries produced 62 percent of the world's rayon in the peak year 1941. This large production of rayon was the equivalent of 6.5 million bales of cotton. In the United States, rayon production in 1945 totaled about 5.5 pounds per person compared with the 1941 production of 11.4 pounds per person in Germany. At that time rayon production in Germany was subsidized by the government and its use was enforced by decree.

If production of cotton and rayon is expanded to a level near prewar (the equivalent of well over 40 million bales annually), world stocks of cotton may again increase. In this case, American and foreign growths of cotton will compete with each other and with rayon for the world's markets. Further, rayon production in the United States would probably continue to increase. Competition between cotton and rayon on both a price and quality basis would be intensified, with technological developments affecting both fibers playing an important part.

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## New Markets for Flowers

**N**EW opportunities, as well as new problems, face flower growers and sellers as the result of recent technological advances in marketing. These include the growth in air freight transportation, prepackaging of goods for sale at retail, and supermarket merchandising methods and facilities. The increasing volume of air traffic in flowers is already said to be causing some concern among the flower growers in the North and East, who are being brought into more direct competition with States farther away from the large markets. However, there are excellent reasons for believing that, by taking advantage of these new developments, most segments of the industry can look forward to sharing the opportunities of an expanding business.

The present volume of business in flowers, although large, is small in comparison with the potential volume available. Sales could well be increased greatly through adjustments in merchandising methods, price policies, and in production. The basic goal of these adjustments would be to expand substantially the mass market in flowers. Flowers are said to be used far more widely in many European countries than in the United States, despite the lower incomes of European peoples. Undoubtedly contributing to this situation is the fact that flowers are available to them in many kinds of stores and even on street corners. Also, the flowers they buy are lower priced relative to other articles competing for the consumer's dollar than is the case in this country. Mass use of flowers, backed up by adequate marketing adjustments and promotion of mass "flower consciousness" in the United States might well be developed here.

To create a much greater "flower

consciousness" by American consumers, a greater resort to lower cost methods of production would be necessary. New sources of lower-cost production could be found on the west coast, in Florida, and in numerous other States. Also needed would be the greatly increased use of air transportation, accompanied by freight rates and methods of handling that were adapted to the needs of the industry. The extension of flower selling to new types of retail establishments, particularly the self-service supermarket, would give wider distribution.

Flowers are better adapted for air shipment than most other agricultural perishables. Their high perishability and relatively high value in relation to bulk have enabled them to stand the costs of air freight. Since 1932, said to be the date of the first air shipment of flowers, the volume of flowers shipped by air has been gradually expanding. In recent months, an increasing number of airlines have offered freight services at rates considerably lower than for express shipment.

Some of the flowers shipped from California and most of those from Florida are produced in the field, either open or under cloth. The possibility of increases in field production of flowers in these States, and also their lower costs of greenhouse operations, have led to talk of great future expansion in air shipment of flowers to the North and East. Actually, without new methods of handling and the opening up of new market outlets, this expansion is likely to be much less than might be expected.

Perhaps half of the flowers sold by greenhouses are roses and carnations. Apparently neither of these flowers can be produced outdoors in the qualities demanded by the regular florist trade. Quality gardenias, also, apparently must be grown under glass. Gladioli

NOTE.—This article is based on an article by F. L. Thomsen in "The Marketing and Transportation Situation," May 1946.



are successfully grown outdoors on both the west coast and in the South and have constituted one of the largest volume air cargo items in recent months. A number of other cut flowers, such as snapdragons, stocks, and sweet peas, which also are successfully grown outdoors, either are susceptible to rust or are not very suitable for air shipment.

In addition to the general inability of most field-grown flowers to compete with greenhouse production for the quality trade, the costs of greenhouse production in the West and South are not sufficiently lower to offset the present costs of air freight.

It is unlikely that West Coast or Southern producers will soon take over any large part of the present business of Northern and Eastern greenhouse producers. However, the total volume of future air shipment of flowers will be large. As in other lines of business, individual producers with low production costs and superior merchandising ability will ship flowers from one section of the country to another, taking early advantage of progress in air freight, packaging, and merchandising methods. Contributing to expansion in air shipment are the different growing seasons in the various sections of the country for field-grown flowers. Air transportation can assist in smoothing out the frequent market gluts and famines for flowers. However, if it is to result in a large expansion for flower growers, the over-all market for flowers must be increased through the adoption of mass merchandising methods.

A major step in this direction would be the development of markets for field-grown flowers, which can be produced at lower costs than those grown in greenhouses. The defects of field-grown flowers, such as shorter stems, are not of great importance to some consumers.

Mass marketing of field-grown flowers would call for new sales policies. It could not be achieved by

continuing to appeal mainly to the luxury and "special occasion" trade. Also needed would be new methods of protecting field-grown flowers against insects and disease. But an even greater need is the growth of awareness by potential growers of the opportunities presented.

Any wide extension of flower consumption of the kind discussed here would necessitate new methods of merchandising including sale through food stores, notably the supermarkets. The self-service and other operating features of the supermarkets, for example, would permit them to sell cut flowers at considerably lower prices than consumers now have to pay. This could be done without beating down the prices paid to growers. Moreover, attractive displays of flowers in the supermarkets would result in greater "flower consciousness" by the public. The type of flowers suitable for sale in supermarkets would not necessarily be appropriate for formal occasions. Such business would continue to go to the regular florist trade, which in turn would profit from the growing public awareness of the need for flowers in the homes.

Prepackaging would be essential in the retailing of flowers in food supermarkets. If flowers had to be displayed, counted, wrapped and paid for in the same manner as in an ordinary retail flower store, the only advantages of supermarkets would accrue from large volume of business and concentrated buying power. But the new self-service refrigerated display cases and new methods of packaging flowers in consumer-sized containers offer real opportunities for pre-packaging. And with pre-packaging, all the advantages of self-service selling would be applicable to flowers. At present no flowers are merchandised on a completely self-service, prepackaged basis, although approaches to this goal are being made.

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# Economic Trends Affecting Agriculture

Year and month	Industrial production (1935-39 = 100) <sup>1</sup>	Income of industrial workers (1935-39 = 100) <sup>2</sup>	1910-14=100				Index of prices received by farmers (August 1909-July 1914=100)			
			Wholesale prices of all commodities <sup>3</sup>	Prices paid by farmers		Farm wage rates <sup>4</sup>	Livestock and products			
				Commodities	Commodities interest and taxes		Dairy products	Poultry and eggs	Meat animals	All livestock
1910-14 average	58	50	100	100	100	100	100	101	101	101
1915-19 average	72	90	158	151	150	148	148	154	163	159
1920-24 average	75	122	160	161	173	178	159	163	123	142
1925-29 average	98	129	143	155	168	179	160	155	148	154
1930-34 average	74	78	107	122	135	115	105	94	85	93
1935-39 average	100	100	118	125	128	118	119	199	119	117
1940-44 average	102	237	139	150	148	212	162	146	171	164
1945 average	203	286	154	180	174	350	197	196	210	203
1945										
July	210	297	155	180	173	351	192	197	215	205
August	186	269	154	180	173	-----	195	207	212	206
September	167	230	154	181	174	-----	197	210	207	203
October	162	225	155	182	175	345	199	204	202	202
November	168	229	156	182	175	-----	202	218	203	206
December	163	233	156	183	176	-----	204	222	204	207
1946										
January	160	235	156	184	177	361	203	197	206	204
February	153	218	157	185	178	-----	202	168	214	202
March	168	239	159	187	180	-----	201	167	219	203
April	165	243	161	188	181	362	199	166	225	205
May	159	243	162	192	185	-----	198	173	226	207
June	170	-----	163	196	188	-----	207	178	230	213
July	-----	-----	181	209	199	378	245	196	268	247

Year and month	Index of prices received by farmers (August 1909-July 1914=100)								Parity ratio *
	Crops							All crops and live-stock	
	Food grains	Feed grains and hay	To-bacco	Cotton	Oil bearing crops	Fruit	Truck crops		
1910-14 average	100	101	102	96	98	99	99	100	100
1915-19 average	193	164	187	168	187	125	168	162	106
1920-24 average	147	126	192	189	149	148	143	151	86
1925-29 average	140	119	172	145	129	141	140	143	89
1930-34 average	70	76	119	74	72	94	106	90	66
1935-39 average	94	95	175	83	106	83	102	97	84
1940-44 average	123	119	245	131	159	133	172	143	103
1945 average	172	161	366	171	215	220	224	201	116
1945									
July	169	161	364	171	221	237	244	207	119
August	167	153	367	172	215	214	240	202	118
September	167	157	365	175	213	217	159	191	113
October	175	160	373	180	210	219	181	196	114
November	178	161	375	182	213	217	235	203	117
December	178	162	378	184	213	230	223	206	118
1946									
January	179	164	375	180	213	225	249	207	116
February	180	166	385	186	212	233	275	213	116
March	185	171	367	183	208	229	253	215	116
April	185	171	368	190	210	244	282	220	117
May	198	188	369	194	214	248	177	215	114
June	200	195	370	210	219	261	185	223	116
July	215	244	369	249	242	249	163	240	123

<sup>1</sup> Federal Reserve Board; represents output of mining and manufacturing; monthly data adjusted for seasonal variation.

<sup>2</sup> Computed from data furnished by Bureau of Labor Statistics and Interstate Commerce Commission on pay rolls in mining, manufacturing, and transportation; monthly data adjusted for seasonal variation. Revised May 1946.

<sup>3</sup> Bureau of Labor Statistics.

<sup>4</sup> Monthly data adjusted for seasonal variation.

<sup>5</sup> Revised.

<sup>6</sup> Ratio of prices received to prices paid for commodities, interest, and taxes.

<sup>7</sup> 1924 only.

## Prices Show Sharp Increase

**P**RICES received by farmers for cotton, grains, meat animals, poultry and eggs, and dairy products increased sharply during the month ended July 15. At the same time, the general level of prices for the things farmers buy also rose.

The level of prices received by farmers went up nearly 12 percent from mid-June to mid-July, reaching 244 percent of the 1909-14 average. The rise, largest on record for any single month, pushed the average of prices received to the highest level on record. However, part of this increase resulted from discontinuance of subsidies on several commodities—notably dairy products—and did not reflect a net increase in receipts to farmers.

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Contributing to the increase in average prices received by farmers was a 7½ percent increase in average crop prices and a 16 percent average increase in prices of livestock and livestock products. The increase in the latter group was mainly owing to sharp increases in prices for meat animals and dairy products, and to more than seasonal increases in poultry and egg prices. Contributing heavily to the increase in crop prices was a 54-cent rise for corn, a 13-cent rise for wheat, and a 4.85-cent rise for cotton. Crop price increases were general, except for truck crops, fruits, and tobacco.

In the same period, the cost of the things farmers buy (prices paid, interest, and taxes) climbed about 6 percent, reaching 199 percent of the 1910-14 average. However, because of the increase in prices received, farmers on July 15 were receiving prices that taken as a whole averaged 123 percent of parity, compared with 120 percent a year earlier.

With the lapse of price control, the rise in prices paid by farmers during the month was speeded up. Rural living costs and costs of farm production goods mounted to a new record. Rural retail prices of commodities bought by farmers increased to 209 percent of the 1910-14 base, up nearly 7 percent from a month earlier and up 16 percent from a year earlier. The increase in prices paid in this period was by far the largest in any month of the 24 years of record.

Rural living costs jumped. Foods such as butter, meats, flour, and meal made outstanding gains, as did clothing, furniture and furnishings, and building materials for houses. Increases in prices of farm production goods contributed almost as much to the increase in farmers' costs as did advancing costs of living. For production goods the larger upturns were limited to feed and building materials for nonhousing use.